

Message Text

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12

ORIGIN EB-11

INFO OCT-01 EUR-25 EA-11 NEA-10 ISO-00 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 IGA-02

/125 R

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TREASURY - S. CANNER

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ASIA/SA - C. REES

AA/ASIA - DMACDONALD

----- 008030

R 152304Z NOV 73

FM SECSTATE WASHDC

TO AMEMBASSY DACCA

INFO AMEMBASSY ISLAMABAD

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY TOKYO

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY BRUSSELS

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY OTTAWA

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E.O. 11652: N/A

TAGS: EFIN, BG

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SUBJECT: DIVISION OF PROJECT DEBT BETWEEN GOP AND BDG

REFERENCE: (A) STATE 210081; (B) DACCA 4671

1. ALTHOUGH DEVELOPMENT OF DETAILED QUANTITATIVE INFORMATION ON IDENTIFICATION OF VISIBLE PROJECTS IN BANGLADESH, PARTICULARLY THOSE REQUIRING DIVISION OF SINGLE LOAN BETWEEN EAST AND WEST, WILL BE A TIME-CONSUMING TASK, IN LIGHT OF NEED TO MOVE FORWARD WE CAN, PER REFTEL (B), INITIATE PRELIMINARY DIALOGUE WITH BDG. OUR INTENT AT THIS STAGE IS TO IDENTIFY THE AREAS OF AGREEMENT AND DISAGREEMENT BY PROVIDING INFORMATION AND DOCUMENTATION TO BDG. WE DO NOT SEEK NOW TO RESOLVE PROBLEM AREAS, NOR TO OBTAIN FORMAL ASSUMPTION OF LIABILITY, BUT TO DISCUSS THIS WITH OTHER CREDITORS, UNDER IBRD AEGIS, AND TO FORMULATE COMMON APPROACH.

2. AS FIRST STEP, YOU SHOULD EXPRESS USG BELIEF THAT BDG ACCEPTANCE IN PRINCIPLE OF LIABILITY FOR VISIBLE PROJECTS IS A STATESMANLIKE, CONSTRUCTIVE ACTION. YOU SHOULD SEEK TO CARRY OUT THESE DISCUSSIONS AS RESOLUTION BETWEEN GOVERNMENTS AND NOT IN CONTEXT OF CURRENT OR FUTURE ASSISTANCE NEEDS. WHATEVER AMOUNT IS EVENTUALLY ASSUMED WILL BE RESCHEDULED WITH FULL RECOGNITION OF BANGLADESH ECONOMIC SITUATION.

3. SECONDLY, WE SHOULD PROVIDE BDG WITH LIST OF THOSE PROJECTS WHICH WE CONSIDER VISIBLY LOCATED IN BD TOGETHER WITH AN APPROXIMATE FIGURE FOR TOTAL AMOUNT AT ISSUE, BASED ON PROJECTS LOCATED SOLELY IN EAST AND ON TENTATIVE SPLIT OF PROJECTS HAVING BENEFIT LOCATION IN BOTH FORMER WINGS. AS STATED ABOVE, WE DO NOT EXPECT BDG FORMALLY TO ASSUME LIABILITY FOR SPECIFIC PROJECTS OR AMOUNTS AT THIS STAGE.

4. FOLLOWING ARE PROJECTS FOR WHICH WE PROPOSE BDG ACCEPT FULL OR PARTIAL LIABILITY:

A.I.D.

A. DOLLAR REPAYABLE PROJECT LOANS EXCLUSIVELY FOR FORMER EAST PAKISTAN.
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AID LOAN NO. -----	TITLE/PURPOSE OF LOAN
-----	PROJECT
043 -----	EAST PAKISTAN POWER DISTRIBUTION
052 -----	SAW MILL/EAST PAKISTAN
057 -----	CHALNA ANCHORAGE
059 -----	COASTAL EMBANKMENTS
062 -----	GENERAL CONSULTANTS EPWAPDA

068 ----- PUBLIC HEALTH ENGINEER, E.P.
 073 ----- MECHANICAL EQUIPMENT
 081 AND 081 A ----- KARNAPHULI THIRD UNIT
 082 ----- SIDDHIRGANJ POWER UNIT
 089 ----- PER I (RAILWAYS)
 091 ----- TWO TRANSMISSION LINES
 092 ----- DACCA - ARICHA ROAD
 094 ----- CHITTAGONG PORT 2ND
 124 ----- GENERAL CONSULTANTS EPWAPDA
 136 ----- PUBLIC HEALTH ENGINEER, EAST
 ----- PAKISTAN
 139 ----- SEED POTATOES STORAGE
 143 ----- GROUND WATER SURVEY
 149 ----- POWER SYSTEMS DEVELOPMENT, EAST
 ----- PAKISTAN

B. A.I.D. DOLLAR REPAYABLE PROJECT LOANS DISTRIBUTED BETWEEN FORMER EAST AND WEST PAKISTAN.

AID LOAN NO. ----- TITLE/PURPOSE OF LOAN
 ----- PROJECT
 032 ----- DEVELOPMENT BANK PICIC THIRD
 045 ----- RAILWAYS 4TH
 053 ----- MALARIA ERADICATION 1ST
 054 ----- AIRPORT AND AIRWAYS EQUIPMENT
 058 ----- FEASIBILITY STUDIES
 071 ----- TELECOMMUNICATIONS
 084 ----- MALARIA ERADICATION 2ND
 128 ----- MALARIA ERADICATION 3RD
 135 ----- MALARIA ERADICATION 4TH
 142 ----- CONSULTING SERVICES

C. EXIMBANK LOAN EXCLUSIVELY FOR FORMER EAST PAKISTAN
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LOAN NO. ----- TITLE/PURPOSE OF LOAN

1984B (PAKISTAN SERVICES LTD) HOTEL (DACCA INTERNATIONAL)

D. EXIMBANK LOANS EXCLUSIVELY DISTRIBUTED BETWEEN FORMER
 EAST AND WEST PAKISTAN.

LOAN NO. ----- TITLE/PURPOSE OF LOAN

2359(1984G) ----- IDBP RELENDING
 2627 ----- IDBP RELENDING
 2792 ----- PICIC RELENDING

5. ACCORDING TO W-244 REPORT OF DECEMBER 3L, 1972, TOTAL

DISBURSEMENTS FOR AID LOANS PARA 4(A) ABOVE IS DOLS. 58.6 MILLION (ROUNDED). TOTAL DISBURSEMENTS FOR AID LOANS PARA 4(B) ABOVE OF DOLS. 64.8 MILLION (ROUNDED), ALTHOUGH ONLY A PART OF THIS WOULD BE ALLOCABLE TO BANGLADESH. SUBJECT TO SUBSEQUENT CORRECTION, APPROXIMATELY DOLS. 20 MILLION OF INTERNAL PROJECTS WOULD BE BDG LIABILITY. (DISBURSEMENT FIGURES FOR EACH LOAN PER W-244 NOT TRANSMITTED ORDER AVOID GARBLES. ASSUME YOU HAVE REPORT). DISBURSEMENTS AND AMOUNTS OUTSTANDING ON EXIMBANK LOANS BEING POUCHED, TOTAL OUTSTANDING JULY 1, 1974 ON LOAN PARA 4(C) IS DOLS. 1.9 MILLION, ON LOANS PARA 4(D) IS DOLS. 4.8 MILLION OF WHICH DOLS. 1.3 MILLION MAY BE BDG LIABILITY.

6. REGARDING THE AMOUNTS TO BE ASSUMED, WE WILL CALCULATE AMOUNT OUTSTANDING AS OF 7/1/74 AFTER ALL PAYMENTS SCHEDULED UNDER ORIGINAL, RPT ORIGINAL, CONTRACTS HAVE BEEN DEDUCTED. EFFECT OF THIS PROCEDURE IS TO MAKE 7/1/74 THE DATE OF ASSUMPTION OF LIABILITY BY BDG, WHILE ALL PAYMENTS MADE OR RESCHEDULED PRIOR 7/1/74 FALL TO PERIOD OF GOP LIABILITY.

7. WE KNOW BDG DOCUMENTATION THESE LOANS VERY INCOMPLETE. UNLESS USAID/DACCA HAS COPIES PERTINENT LOAN AGREEMENTS

OF WHICH WE UNAWARE, WE WILL ATTEMPT PROVIDE YOU WITH SEVERAL COMPLETE SETS OF LOAN AGREEMENTS AND ANY OTHER LIMITED OFFICIAL USE

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DOCUMENTATION YOU FEEL USEFUL AS BASIS FOR FURTHER NEGOTIATION.

8. PLEASE ADVISE YOUR REACTION THIS APPROACH, AND SPECIFICALLY RE QUESTION PARA 7 ABOVE. IF YOU THINK APPROPRIATE, PLEASE INITIATE DIALOGUE. RUSH

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